

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

XTO Energy Inc.
810 Houston Street
Fort Worth, TX 76102-6298

Township 22 North, Range 57 East
Section 1: Lots 1, 2, 3, 4, S½N½, S½ (All)
632.80 Acres
Township 23 North, Range 57 East
Section 36: All
640.00 Acres
Richland County

State Tract
Section 36: All
640.00 Acres
Common Schools 100%

XTO Energy Inc. has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The Halvorsen 31X-1 well, which is a Bakken formation oil well, was drilled in the NW¼NE¼ of Section 1. This permanent spacing unit has a total of 1,272.80 acres. The Department has mineral ownership of 640.00 of the 1,272.80 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalties from this well. The communitization agreement shall include the Bakken formation in Sections 36 & 1.

The Department's tract comprises 50.28% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 6.285%-12.57% of all oil production (12.50%-25% royalty rate x 50.28% tract participation) and 6.285% of all gas production (12.50% royalty rate x 50.28%).

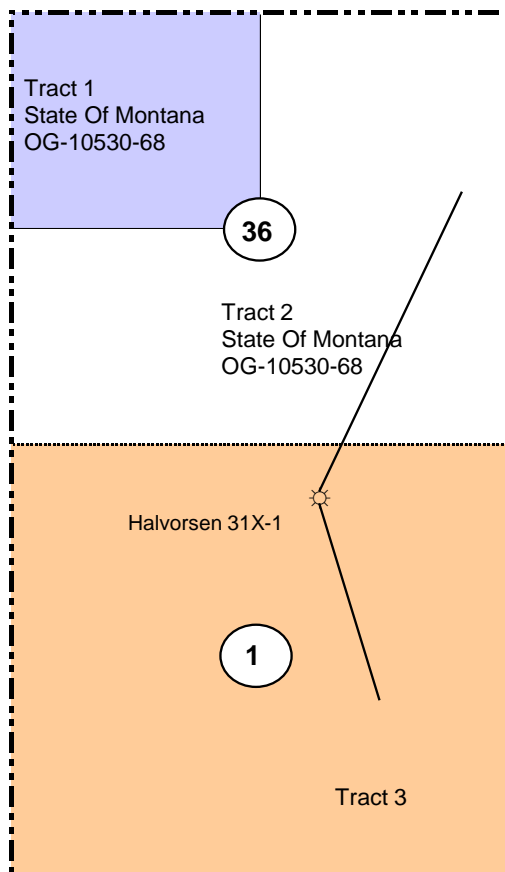
The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

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Section 36: All



Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	State of Montana OG-10530-68	160	12.57%	*12.5 to 25%	1.57 to 3.14%
2	State of Montana OG-10530-68	480	37.71%	*12.5 to 25%	4.71 to 9.43%
3	H.E. Halvorsen Trust, Zelda M. Halvorsen, Trustee	632.8	49.72%	18.75%	9.322%
Total		1272.8	100.00%		

**State of Montana Royalty Rate is based on a graduated sliding scale per schedule below:*

(Oil) First 3000 Barrels = 12.5 %

Gas = 12.5% all Quantities

Next 3000 Barrels = 17.5%

All remaining Barrels = 25%

** The Operator of the Communitized Area is XTO Energy Inc*